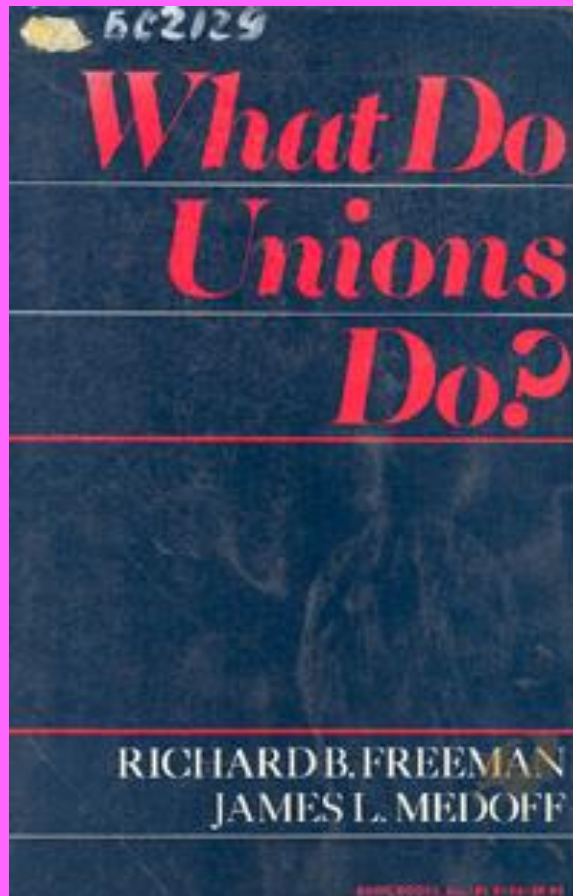


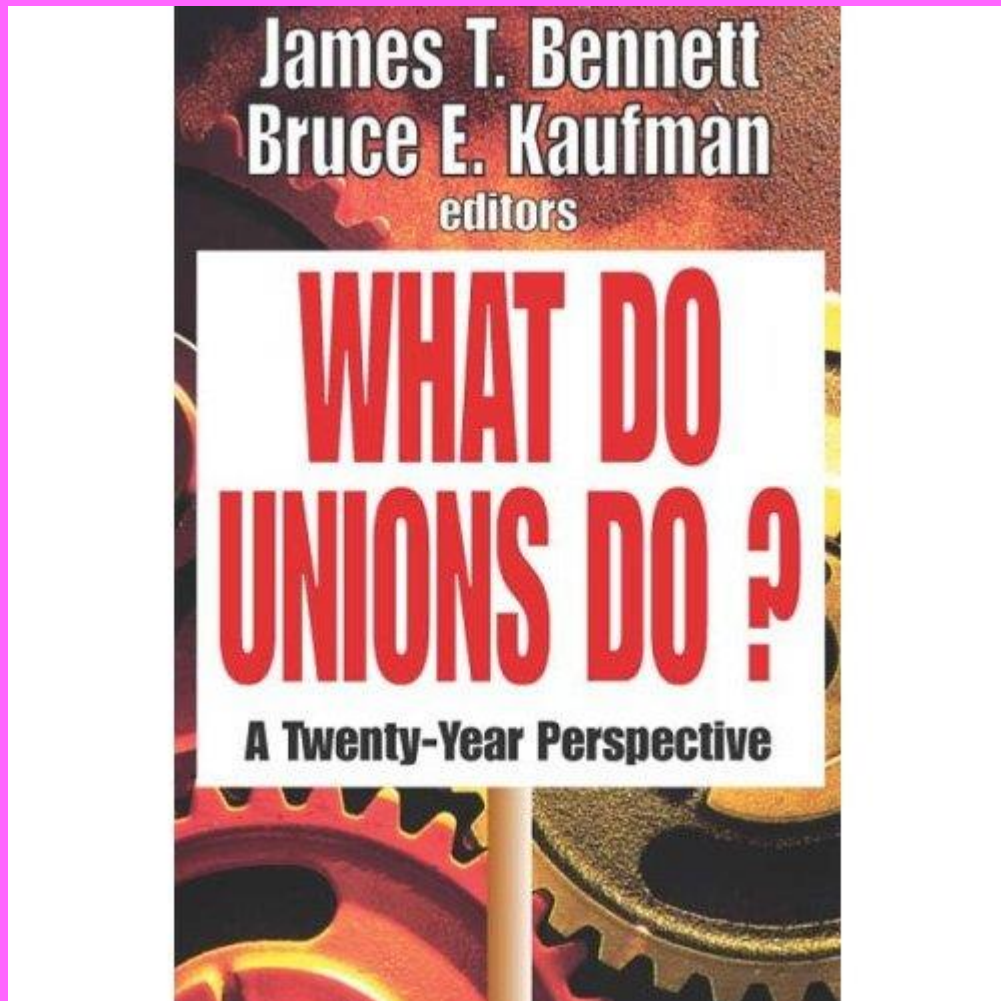
Monopsony as a Metaphor for the Emerging Post-Union Labor Market

Christopher L. Erickson
Daniel J.B. Mitchell
IBEFA-WEAI Meetings
Honolulu, July 1, 2008



Mitchell & Erickson,
"De-Unionization and
Macro Performance: What
Freeman and Medoff
Didn't Do." *Journal of
Labor Research*, vol. 26,
Spring 2007

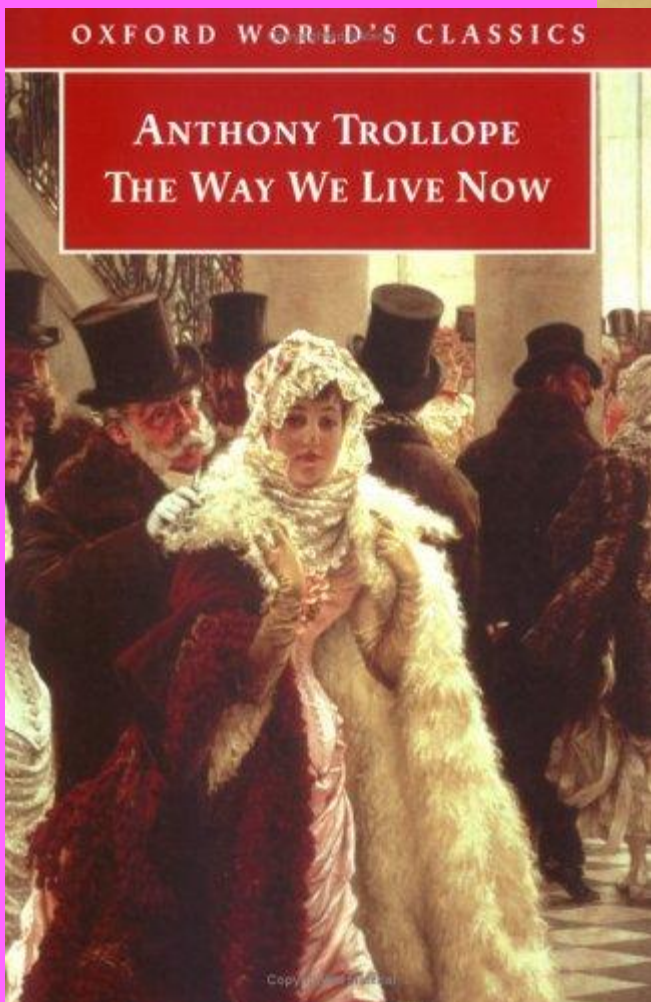
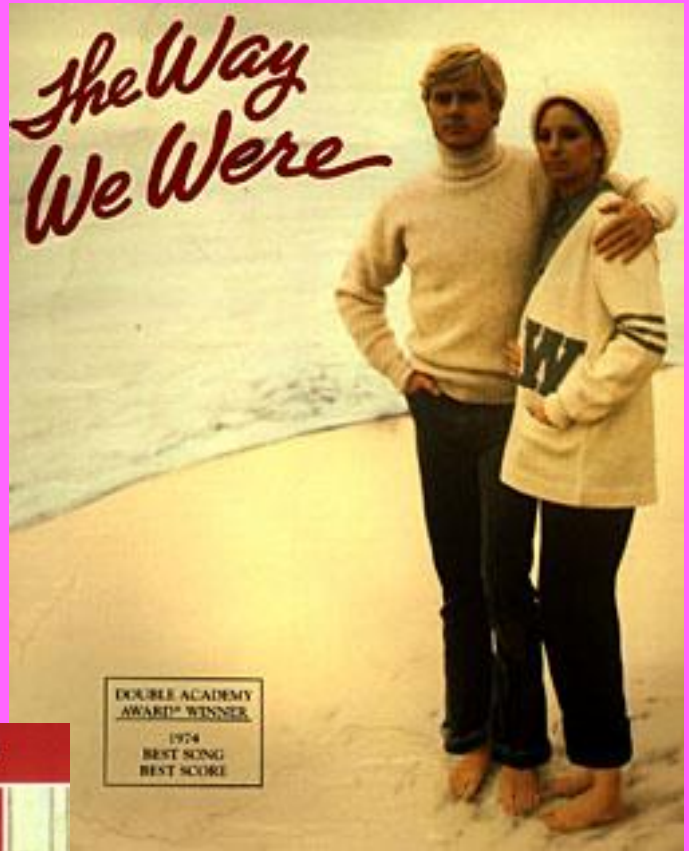




**Volume reprinted from
Journal of Labor Research,
vol. 26, Spring 2005**

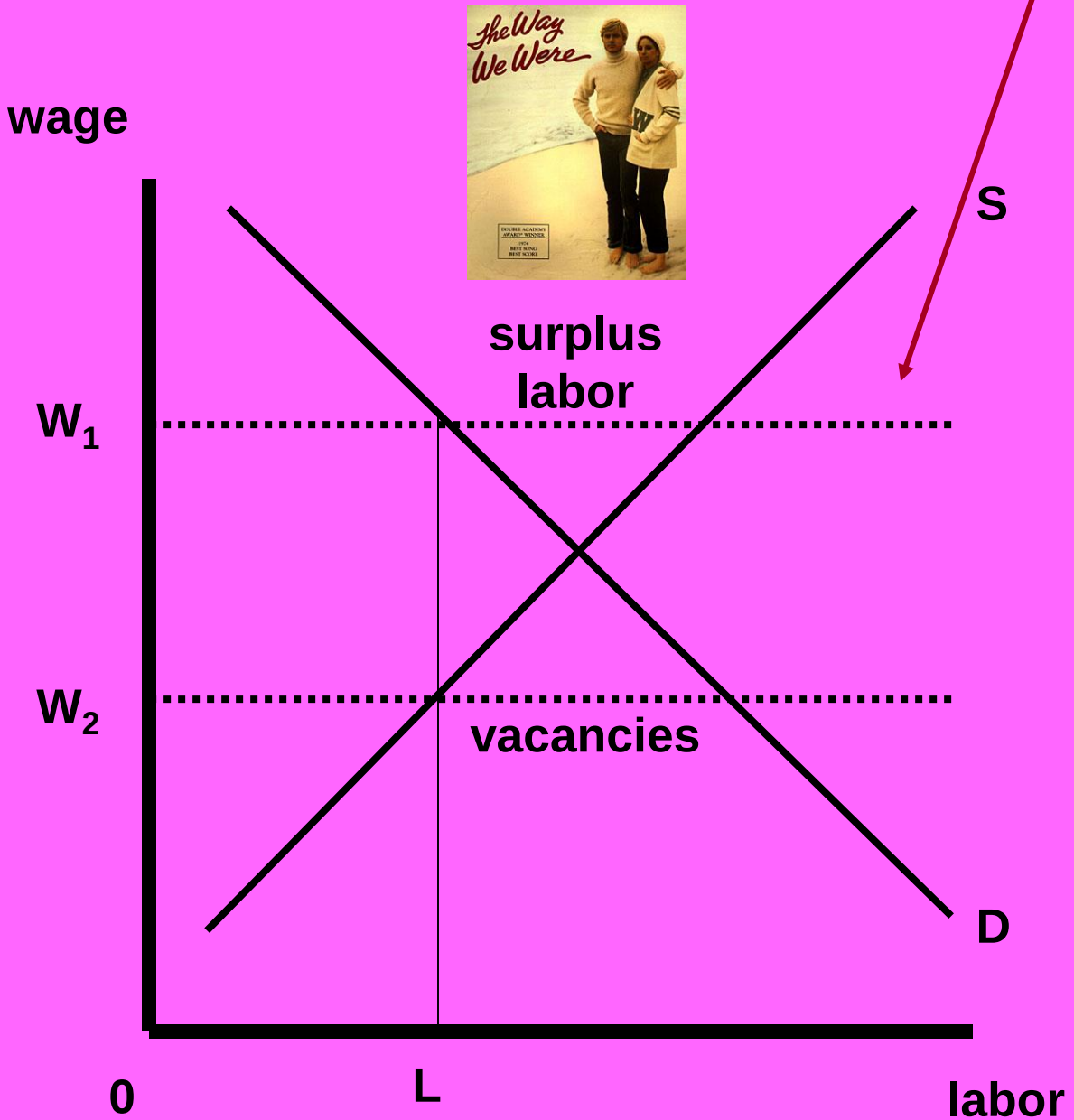
- Erickson & Mitchell. (2007). Monopsony as a metaphor for the emerging post-union labour market. *International Labour Review* , Vol. 146, No. 3-4.
- Erickson & Mitchell. (October 2005). Not yet dead at the fed: Unions, worker bargaining, and economy-wide wage determination. *Industrial Relations* , Vol. 44, No. 4.
- Mitchell & Erickson. (2002-03) The Individual Employee in the Context of Employer Ascendancy: New-Old Analysis. *Journal of Individual Employment Rights*, Vol. 10, No. 3.
- Mitchell & Erickson. (December 2005). Monopsony: Today's New Labor Market Reality. *WorkingUSA*, Vol. 8.
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Until the
early
1980s

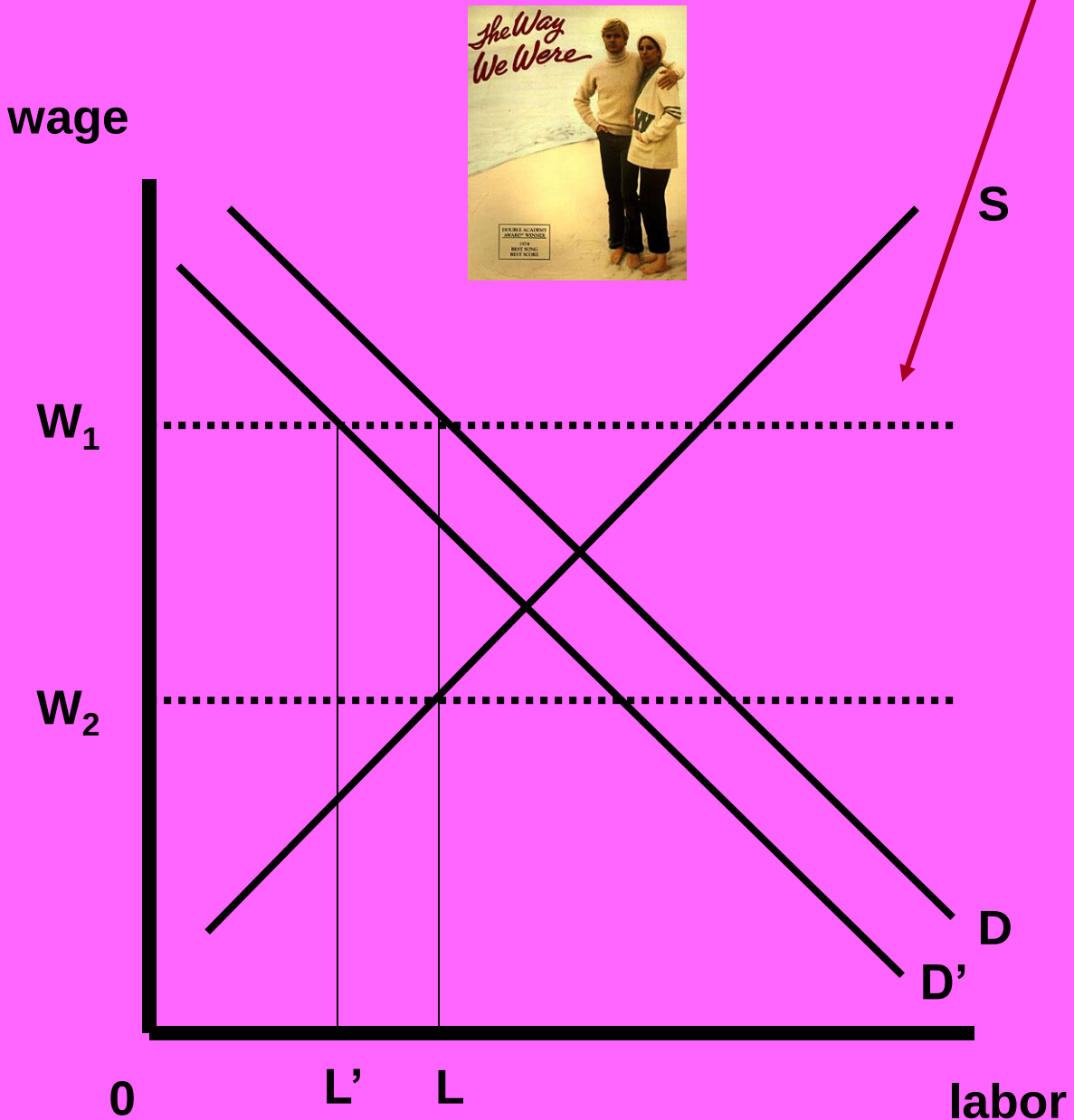


From the
late 1980s
onward

Moving from a “monopoly” wage labor market...

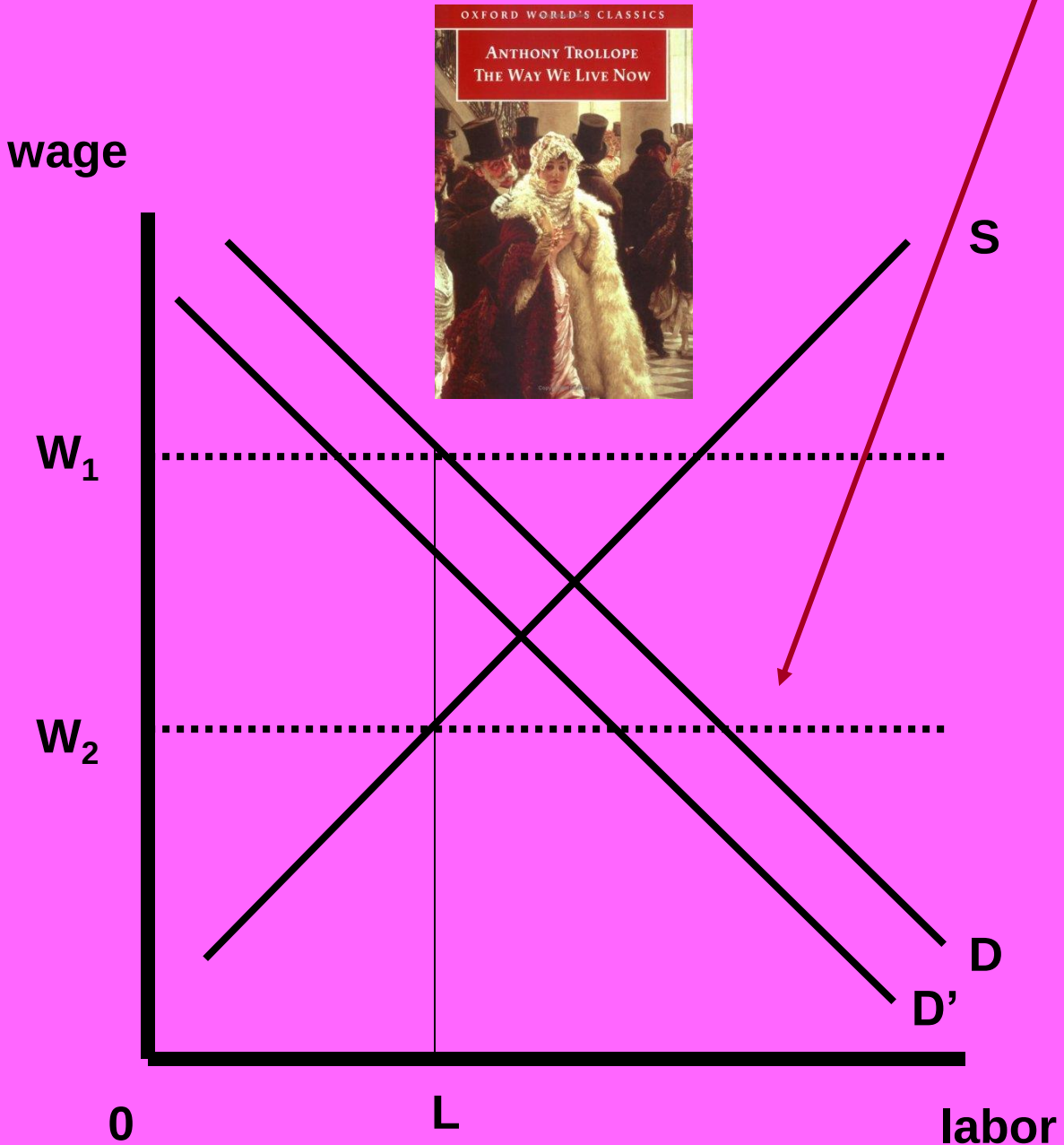


Moving from a “monopoly” wage labor market...



...where a fall in demand reduces employment and employers lay off workers...

to a monopsony wage labor market...



...where a fall in demand leave employment unchanged and employers “lay off” vacancies.

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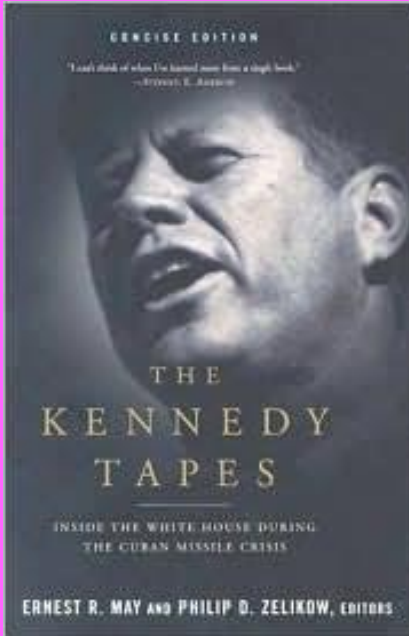
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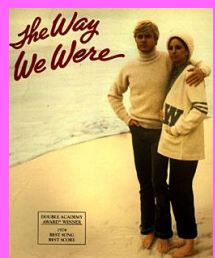
The Way We Were



April 10, 1963



**Kennedy and advisors talk
(endlessly) about wages in
steel and other “key”
industries and union
wages in those industries**

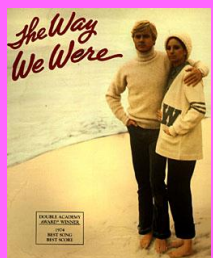


The Way We Were

Clark Clifford, Willard Wirtz, RFK, JFK



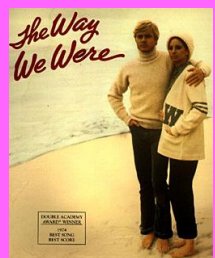
**Kennedy and advisors talk
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The Way We Were



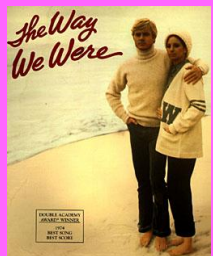
**Settlement of lengthy
GM strike in 1970
brings concerns about
inflation**



The Way We Were



**Settlement of lengthy
GM strike in 1970
brings concerns about
inflation**



The Way We Were

"All the News That's Fit to Print"

The New York Times

LATE CITY EDITION

Weather: Mostly sunny and 1 today; fair tonight and tomorrow; range: today 64-80; Sun 67-87; Temp-Hum: Linds point: 74; Fall U.S. report on Page 3

VOL. CXX...No. 41,477

NEW YORK, MONDAY, AUGUST 16, 1971

15 CENTS

NIXON ORDERS 90-DAY WAGE-PRICE FREEZE, ASKS TAX CUTS, NEW JOBS IN BROAD PLAN: SEVERES LINK BETWEEN DOLLAR AND GOLD



As British soldiers take cover during disturbances, a Londonderry woman walks home

Hate Pursues British Troops in Ulster

By BERNARD WEINRAUB

BELFAST, Northern Ireland, Aug. 15—They walk slowly down darkened Springfield Road, gripping loaded submachine guns and gazing at the narrow streets covered with glass, piles of brick and burned-out furniture. "Sure, they speak English and drink tea—but that's about it."

For the 15,500 British soldiers in Northern Ireland—the highest number since fighting broke out in 1969—the past week of violence has evoked "terrors and angers," here, said Sgt. Colin Butcher, a 32-year-old paratrooper leading a platoon of 30 men in the Catholic quarter. "Sure, they speak English and drink tea—but that's about it."

Since the Government announced emergency powers of internment on Monday, a wave of arson, rioting and sniper attacks has engulfed the area.

Mr. Nixon said he was taking the action to stop "the attacks of international money speculators" against the dollar. He did not raise the official price of gold, which has been \$35 an ounce since 1934.

Devaluation Denied

Mr. Nixon said he was not devaluing the dollar. But he said "if you want to buy a foreign car, or take a trip abroad, market conditions may cause your dollar to buy slightly less."

A WORLD EFFECT

Unilateral U.S. Move Means Others Face Parity Decisions

By EDWIN L. DALE JR.

WASHINGTON, Aug. 15—President Nixon announced tonight that henceforth the United States would cease to convert foreign-held dollars into gold—unilaterally changing the 25-year-old international monetary system.

How many pounds, marks, yen and francs the dollar will buy tomorrow will depend on decisions of other countries. In some countries, the value of the dollar may "float," moving up and down in day-to-day exchanges. A period of turmoil in the foreign-exchange markets is all but certain, which means uncertainty for American tourists, exporters and importers.

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REACTION MIXED

Mansfield Pleased by Wage-Price Action—McGovern Critical

By CHRISTOPHER LYDON

WASHINGTON, Aug. 15—Political and political economists who commented on President Nixon's speech tonight drew careful distinctions between the domestic and international elements of the package.

In a widely mixed reaction, greater support for the wage and price freeze than for his action on the international position of the dollar.

The Senate Democratic leader, Mike Mansfield of Montana, called the wage-price freeze "harsh but very necessary."

"I'm delighted that his package has finally run out," the Montana said.

Javits Is Gratified

Senator Jacob K. Javits of New York, the ranking Republican on the Joint Economic Committee, said that without the freeze, "we were blindly rushing to national disaster."

He added: "The measures to bolster the dollar are particularly gratifying to me. I expect to be able to support the President in most of his economic decisions."



President Nixon after delivering televised address

Highlights of Nixon Plan

WASHINGTON, Aug. 15—Following are the highlights of President Nixon's address tonight:

Wages and Prices—The President ordered a 90-day freeze on wages and prices and established a Cost-of-Living Council to administer the freeze and recommend measures to stabilize wages and prices afterward. He also called on corporations to extend this freeze to all dividends.

International Monetary Policy—Mr. Nixon said the United States would no longer convert foreign-held dollars into gold, thus altering the entire world monetary system.

SPEAKS TO NATION

Urges Business Aid to Bolster Economy—Budget Slashed

Text of the President's speech will be found on Page 14.

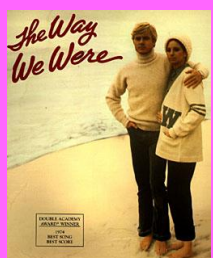
By JAMES M. NAUGHTON

WASHINGTON, Aug. 15—President Nixon charted a new economic course tonight by ordering a 90-day freeze on wages and prices, requesting Federal tax cuts and making a broad range of domestic and international moves designed to strengthen the dollar.

In a 20-minute address, telecast and broadcast nationally, the President appealed to Americans to join him in creating new jobs, curbing inflation and restoring confidence in the economy through "the comprehensive new economic policy to be undertaken in nation in four decades."

Some of the measures: Nixon can impose temporarily himself and be saved for tolerance as he goes. Others require Congressional approval and—although he proposed some policies that his critics on Capitol Hill have been urging upon him—will doubtless face long scrutiny before they take effect.

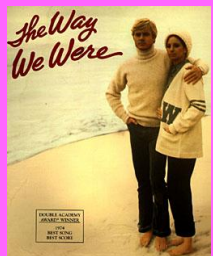
Nixon imposes wage-price controls in 1971



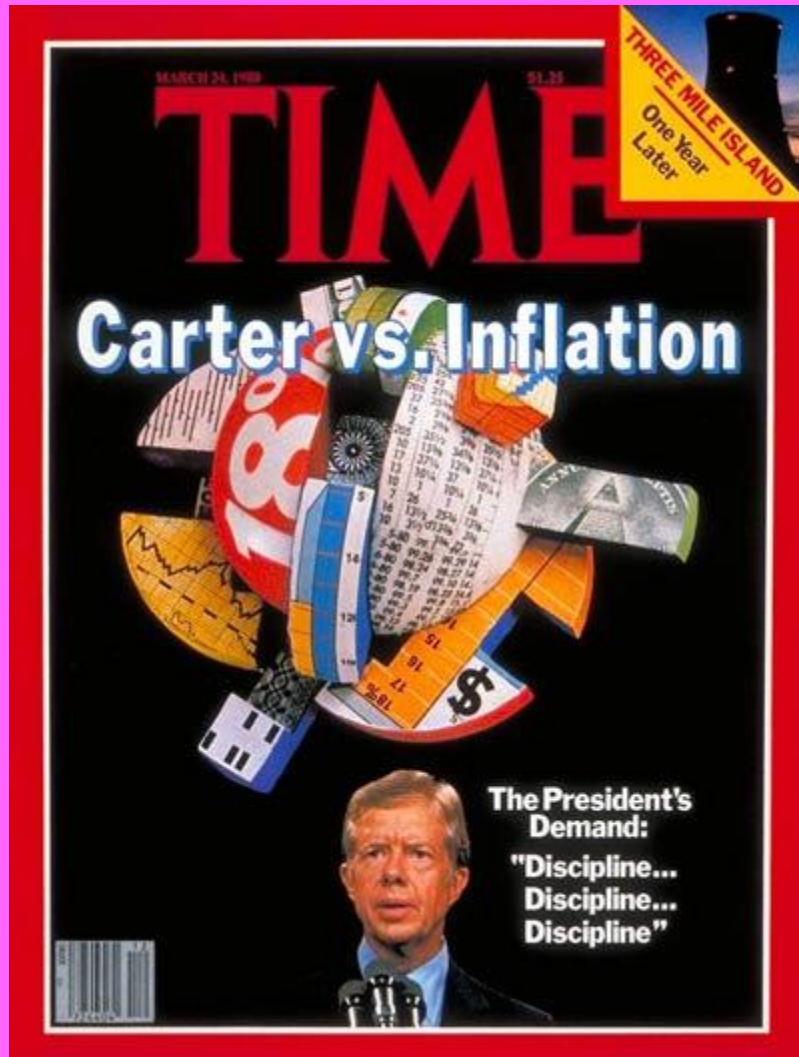
The Way We Were



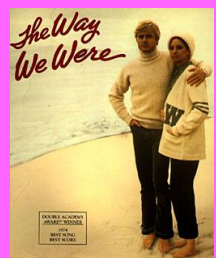
**Nixon imposes
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The Way We Were



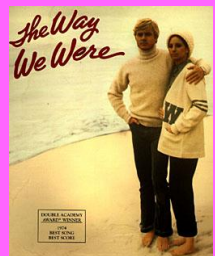
Carter wage-price guidelines come under stress due to union settlements



The Way We Were

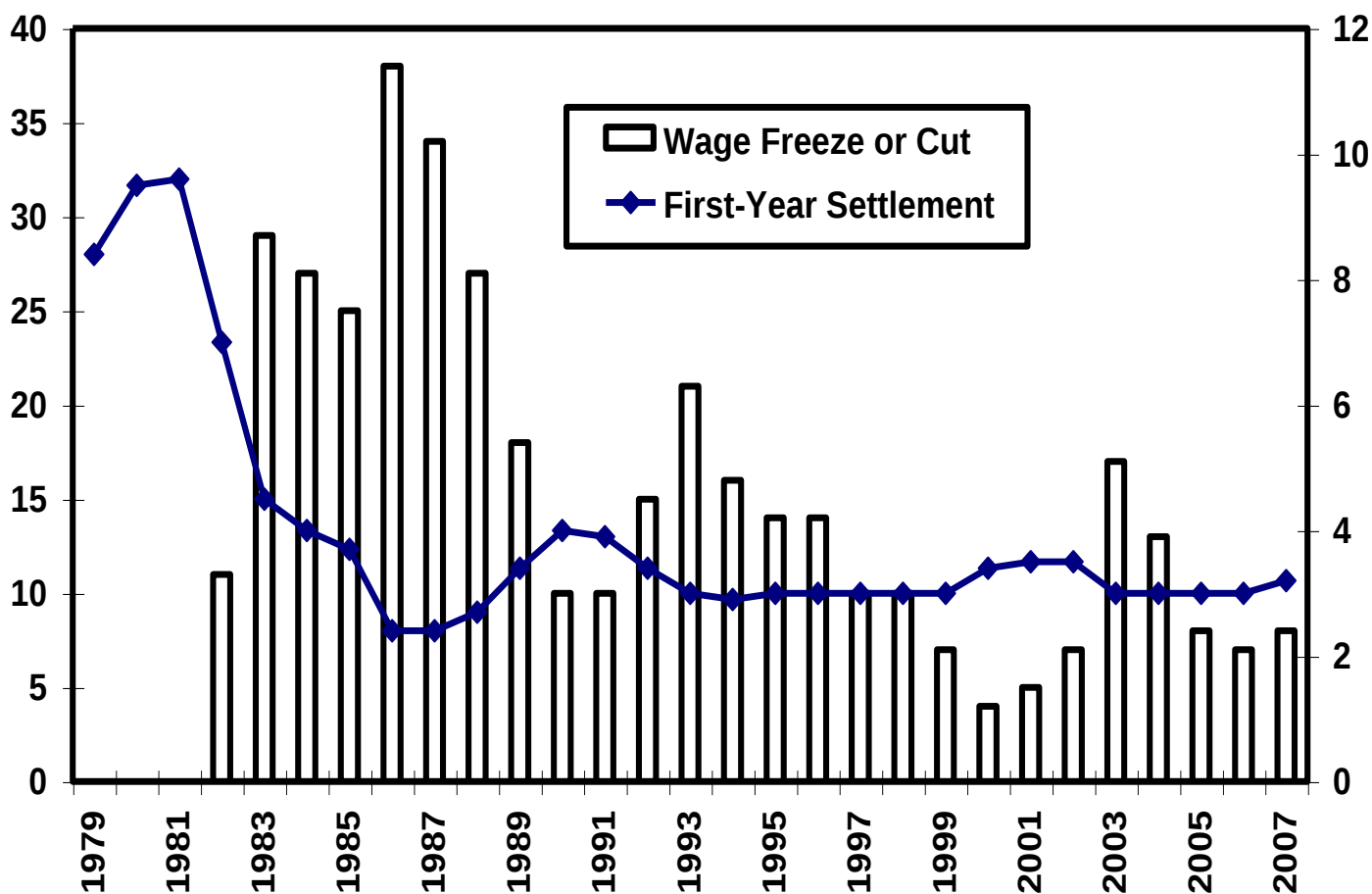


**Carter wage-price
guidelines come under
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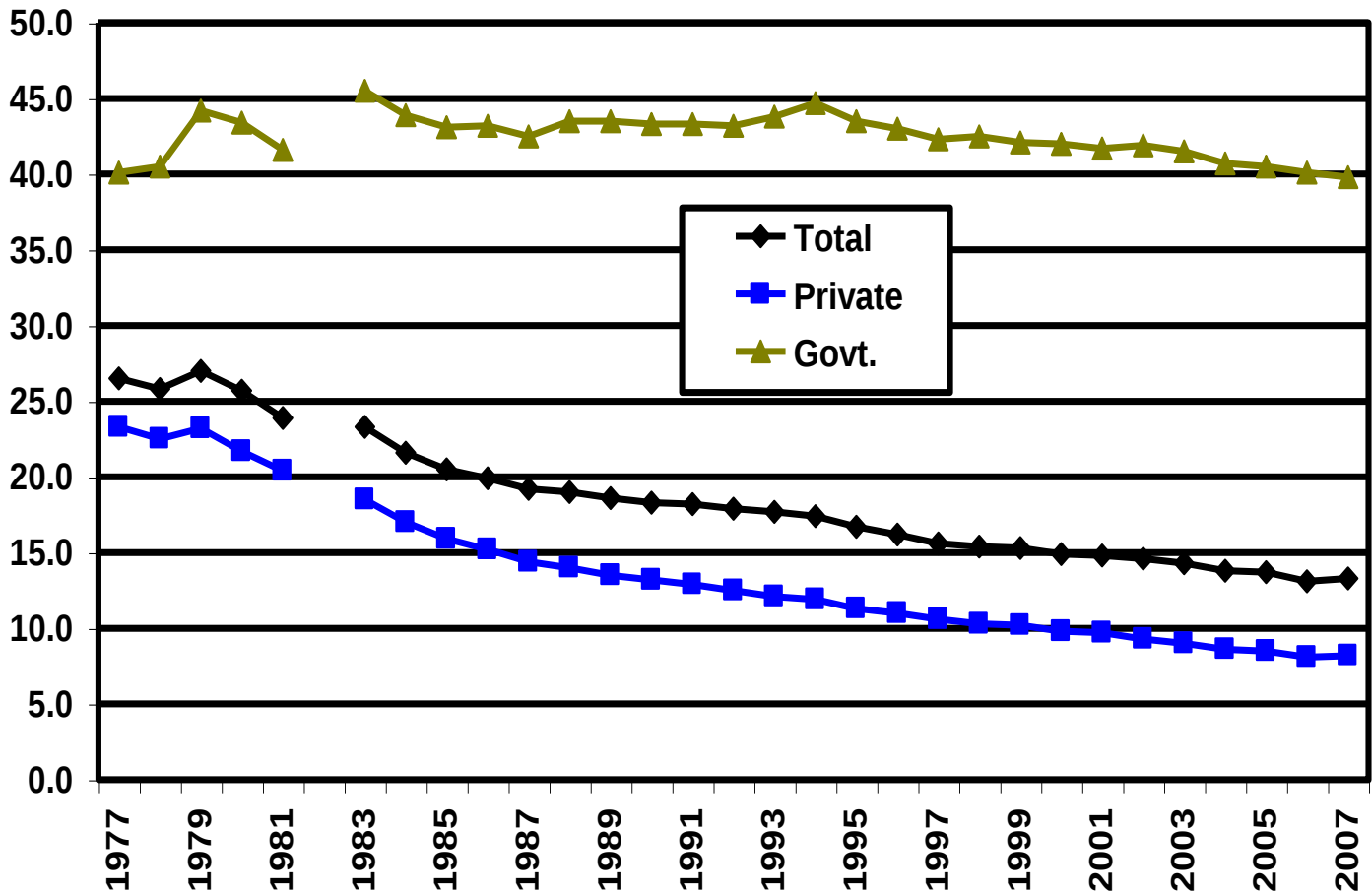
Decline in Union Bargaining Power Since 1970s

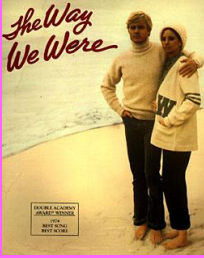
Median First-Year Union Wage Settlements (right axis) and Percent Concessions (left axis)



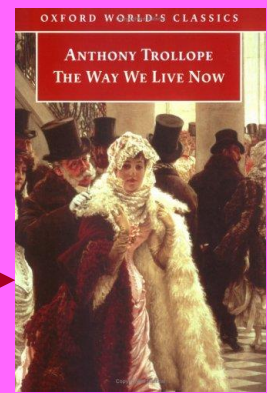
Decline in Union Coverage

Union Representation Rates for Wage and Salary Workers (Percent)

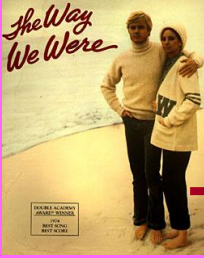




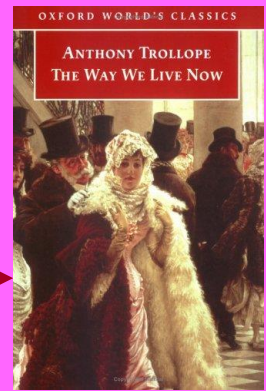
Transition



**Concession bargaining
in steel: 1983**



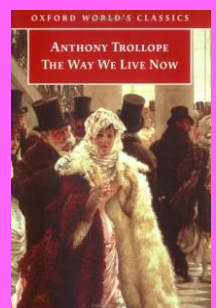
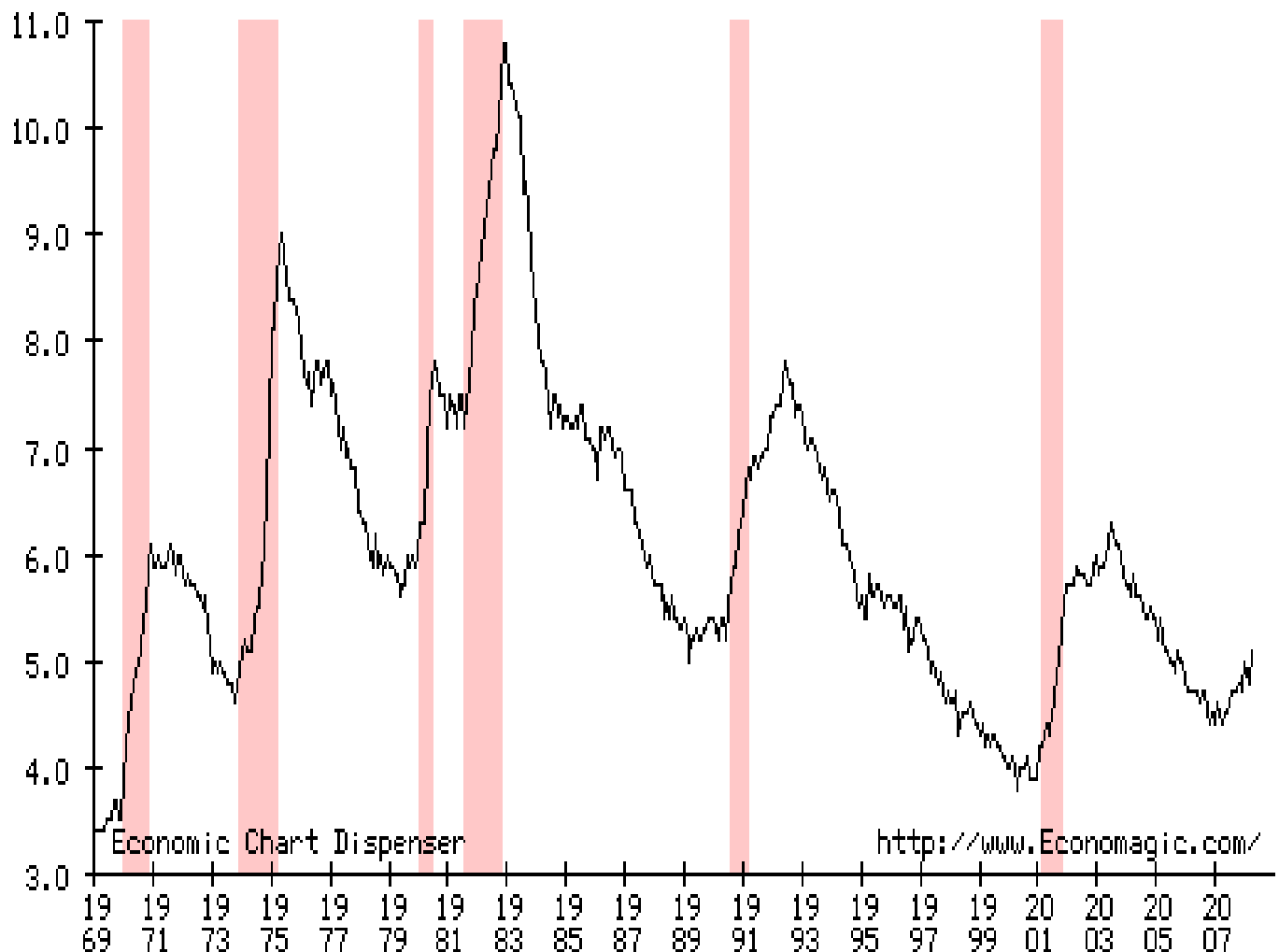
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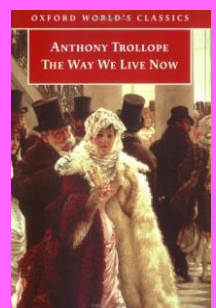
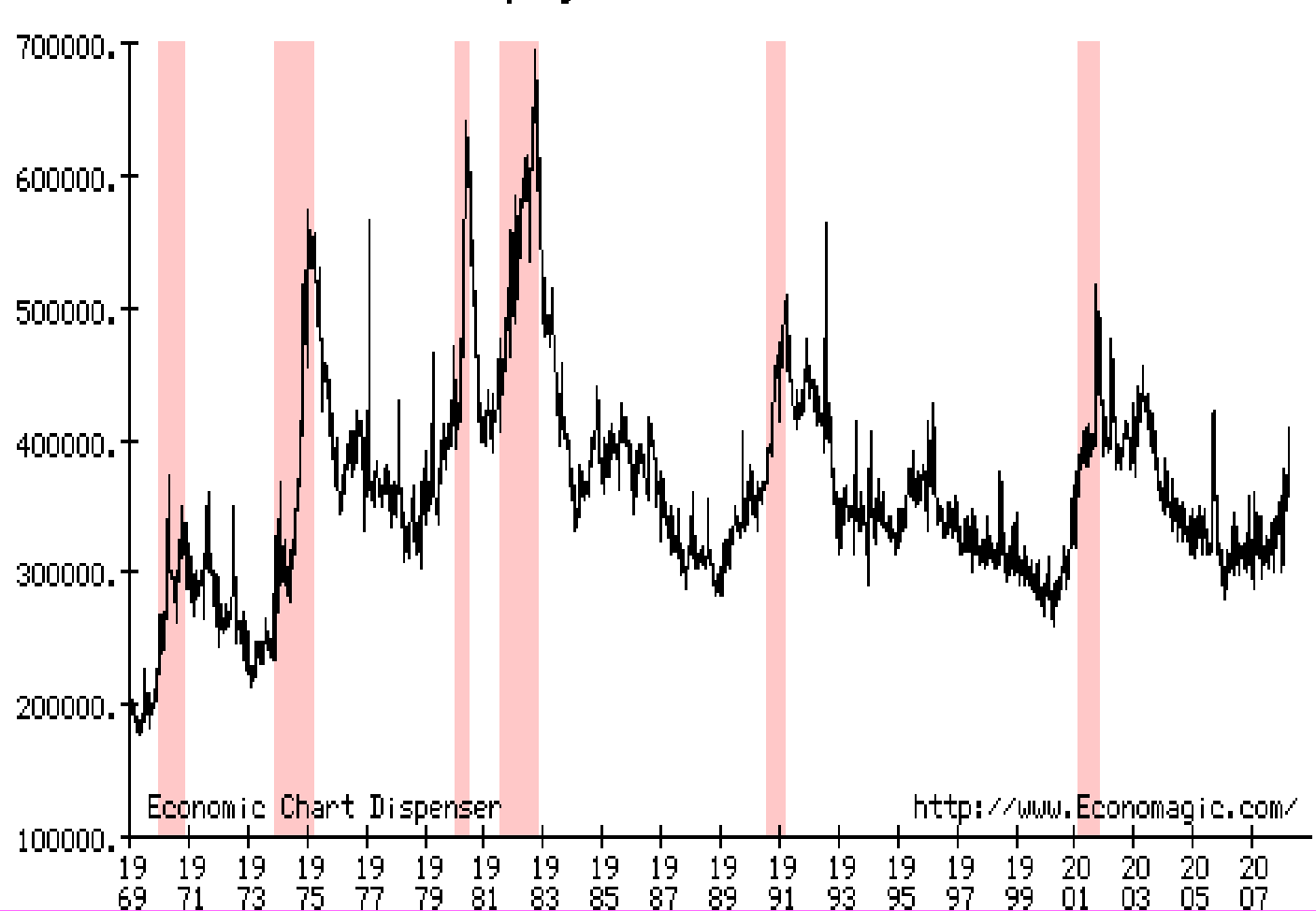
Mild Recessions Compared to 1970s

Unemployment rate, Civilian labor force: SA



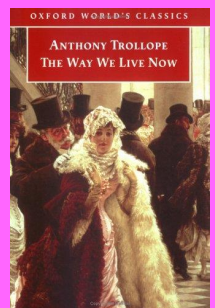
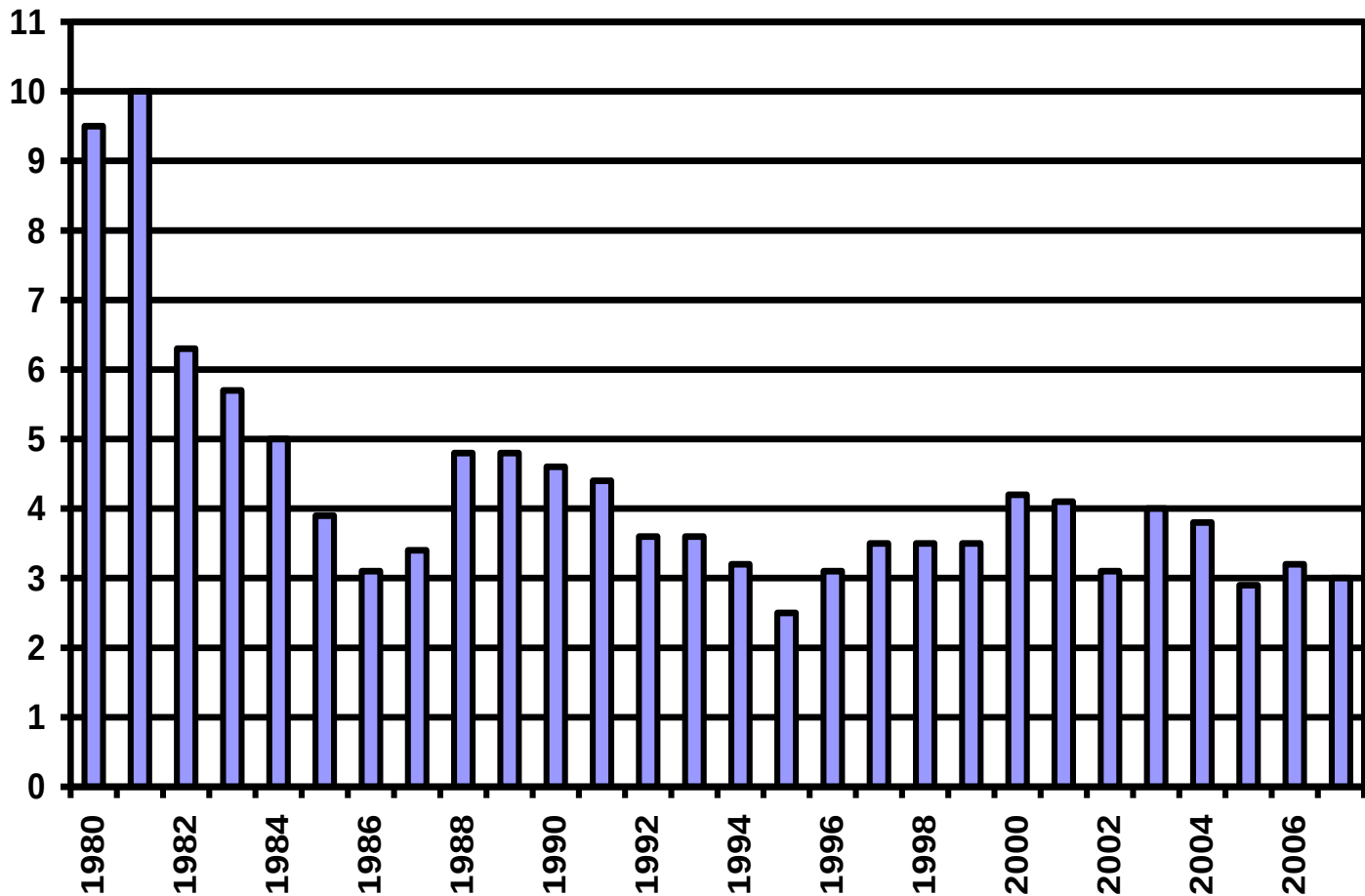
Layoffs Limited Recently

Initial Claims for Unemployment: SA



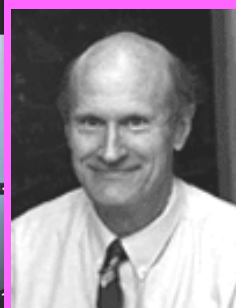
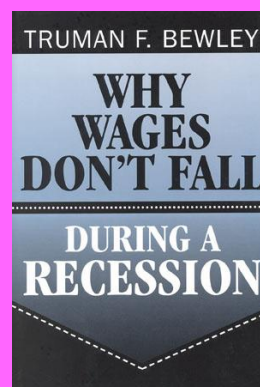
No Wage-Push

ECI-Private: Total Comp: 4th Qtr to 4th Qtr Percent Change



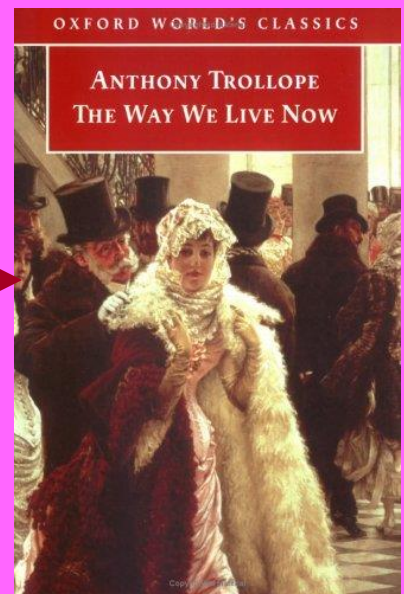
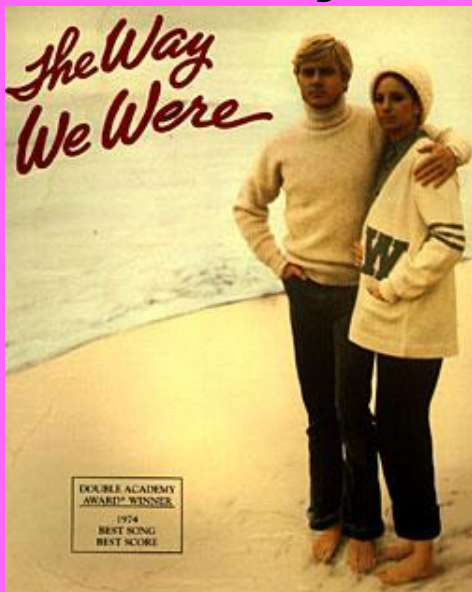
Why Monopsony?

- ❑ Flow model similar to Card-Krueger
- ❑ Benchmarking, a.k.a. copying what others are doing
- ❑ Risk associated with downward nominal wage rigidity
- ❑ Monopsony!
It's not just for nurses anymore!



Move from the way we were to the way we live now means:

- **Milder recessions (economy better absorbs negative shocks) – the good news**
- **But also the bad news:**
 - Wage squeeze
 - Reduced provision of health care, defined-benefit pensions
 - Decline in promised job security



HERMAN®

by Jim Unger



"I've got to ask the boss for a raise tomorrow. How does this look?"



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